

FORM NO. 51-4AA
FEB 1952

For Release 2002/09/29 : CIA-RDP82-01573

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CENTRAL INTELLIGENCE AGENCY

CLASSIFICATION **SECRET**

25X1

INFORMATION REPORT

REPORT NO.

25X1

CD NO.

COUNTRY

East Germany

SUBJECT

East German Policy Line Changing

DATE DISTR. 23 October 1952

NO. OF PAGES 2

DATE OF INFO.

NO. OF ENCLS.
(LISTED BELOW)

25X1

PLACE
ACQUIRED

SUPPLEMENT TO
REPORT NO.

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1. At the recent Second Party Conference of the SED, held on 9-12 July (among other delegates attending was Tse Pen-Fan, representative of the Communist Party of China), Walter Ulbricht launched the new national offensive, the consequence of the poor results obtained in the West by the propaganda for a democratic Germany. [redacted] the Kremlin is increasingly disappointed with the effects of its offer for German unification and especially with the poor response from the Social Democratic Party. In March, when the Soviet note proposed a neutral Germany, complete with Army, Navy, Air Force, and armament industry, the Russian advisers expected that the SED would be able to get Kurt Schumacher, Carlo Schmid, and Erich Ollenhauer into a photographic pose around a table with Otto Grotewohl. It was hoped by the Russian advisers that their offer would result in a wave of demonstrations and mass strikes against the Americans occupying Germany and against Adenauer's pending ratification of the Generalvertrag, and thereby upset the entire timetable for NATO and the European Defense Community. Ulbricht was most skeptical about the success of the Kremlin's policy and predicted that Schumacher would not break his silent alliance with the USA. Ulbricht had to carry out Moscow's instructions and at this moment his influence seemed to decline. The "Westerners" in the SED became fervent Muscovites overnight and indirectly criticized Ulbricht's shortcomings in Party work, because only unification with the West could bring about a change of the Ulbricht Politburo, wanted by a potentially strong opposition waiting in the wings.
2. As the result of the unification campaign's lack of success, Ulbricht finds his authority increased, and he has now reached an understanding with the Malenkov Secretariat in Moscow for stricter measures against the still-existing bourgeois parties in East Germany. According to Communist theory, East Germany is still a halfway house between a bourgeois and a people's democracy, since in

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contrast to the other East European states, it conserved the administrative structure as it was conceived in the first period after the war, in accordance with the conceptions of the anti-Fascist alliance. Hence we expect a new round of arrests and persecutions of non-Communist politicians. But even now the CDU and LDP in East Germany will not be completely destroyed, and Ulbricht has to conserve a skeleton as an outstretched arm into West Germany. The present tightening of controls of the bourgeois parties runs parallel with an administrative reform in which states' rights as established in 1945 (parallel to the organization of the states in West Germany) will be conserved only in principle, to be superseded by administrative units corresponding to economic areas. This will permit the elimination of a great number of bourgeois civil servants still holding office in Thuringia or Mecklenburg. This attack on the center parties is, however, coupled with greater endeavors to take the military and the ex-Nazis into the reorganized administration, which means the ascendancy of the National Democratic Front as the auxiliary of the Communist State Party.

3. Even with the help of this combination, CP plus military, Ulbricht will not be able to deliver to the Kremlin a well functioning and reliable National Army of East Germany. Therefore, instead of emphasis on democracy, we now have a greater shift towards Prussian ideology, and this time not as a method of psychological warfare, but as a prerequisite for forming the (East German) National Army. Vincent Müller and his staff have obtained promises from Ulbricht and from the Kremlin that if the organization of the National Army has reached a satisfactory stage, it will be equipped with an Air Force, with East German-made planes and East German-trained pilots, and with some naval power. The ambitious blueprint of the Kremlin is, of course, the establishment of a "Soviet NATO", in which the Prussian National Army will be integrated with the national armies of Poland, Czechoslovakia, etc., all held together and controlled by the Russian Supreme Command. This scheme is far from jelled and even farther from realization.
4. A breakdown of the Adenauer Government, and with it the Generalvertrag, is not yet definitely counted out, and such an event would substantially change the Kremlin's project of a National Army in East Germany. Equally, Churchill's falling out of power within the next year is not counted out. In case Aneurin Bevan becomes Prime Minister of England, the Moscow Politburo, in contrast to Ulbricht, thinks that the German Socialists may find the courage for direct negotiations with East Berlin, if they seem to be backed by the Socialists in the British cabinet. For that reason Ulbricht had to state repeatedly at the recent SED Conference that the chief conflict of the day is between America and Britain.

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